

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 49 - SB 42

March 17, 2011

SUMMARY OF BILL: Requires payment of all outstanding fees, fines, or other penalties assessed by the Alcoholic Beverage Commission (ABC) against any manufacturer, distiller, wholesaler, retailer, winery, collector, direct shipper, or any establishment providing on-premises consumption before a license or renewal permit will be issued. Authorizes ABC to assess costs for administrative hearings.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue – \$8,100/General Fund
Net Impact - \$7,800/ABC Fund**

Decrease State Expenditures – \$1,875/ABC Fund

Assumptions:

- According to the ABC, 1,912 citations were issued in 2008; 1,445 in 2009; and 1,477 in 2010.
- According to the ABC, the average collection rate during 2008 and 2009 was 93 percent.
- The minimum fine for individual violations, liquor-by-the-drink violations, retail and winery violations, wholesaler violations, and manufacturer violations is \$100.
- Based on the average number of citations issued in 2008, 2009, and 2010, there will be 1,611 citations issued in 2011 resulting in a total fine amount that will exceed \$161,100 (1,611 citations x \$100).
- It is estimated that this bill will increase ABC's collection rate to 98 percent resulting in a total 2011 collection of \$157,878 (\$161,100 x 98%) and a recurring increase in revenue to the state general fund of \$8,055 [\$157,878 – (\$161,100 x 93% current collection rate)].
- Approximately 32 licensees will not pay the assessed fine and will not renew their licenses. The average license renewal is \$150 to the ABC Fund.
- There will be a recurring decrease in license renewal fees to the ABC Fund of \$4,800 (\$150 x 32 licenses).
- According to ABC, the costs for 25 hearings was paid by the Commission in 2010 resulting in expenditures of approximately \$9,375 (25 hearings x \$375 per hearing).

- Since ABC will be able to assess hearing costs, the Commission will schedule more hearings. ABC estimates that there will be 200 hearings scheduled for FY11-12. Approximately 10 percent, or 20 hearings will either be dismissed or costs assessed against ABC resulting in costs of \$7,500 (20 hearings x \$375).
- The net decrease in expenditures will be \$1,875 (\$9,375 - \$7,500).
- According to ABC, the minimum citation amount for an administrative hearing is \$100. Approximately 70 percent of citations issued will be paid resulting in an increase to the state ABC Fund of \$12,600 [(180 hearings x 70%) x \$100].
- According to ABC, the difference between the estimated 70 percent collection rate and the averaged 98 percent collection occurs as a result of licensees paying fines and penalties at the time of renewal which occurs in the next calendar year. Collection rates are adjusted by ABC to account for these late payments.
- Any cost to the ABC to change its collection policies will not be significant and can be accommodated within existing resources without an increased appropriation or reduced reversion.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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